

# MEMOIRS of a CORPORATION



## CHAPTER V

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**PACIFIC MILLS**

**Date Due**

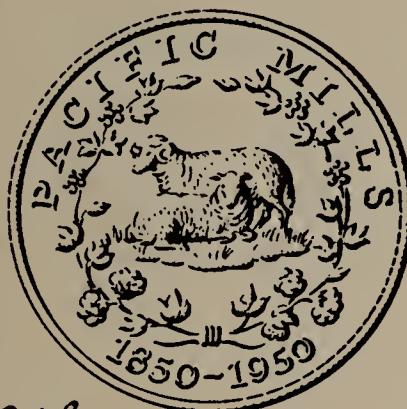


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# MEMOIRS of a CORPORATION

*The Story of Mary and Mack  
and Pacific Mills*

*with the editorial assistance of Josef Berger*



*Weaving a Century*

**PACIFIC MILLS**

Executive Offices: 140 Federal Street  
BOSTON, MASSACHUSETTS

Andover Room

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*DEDICATION*

*To the memory of those gallant workers of  
Pacific Mills who died in service of their country  
on the battlefields of four wars, this series  
of booklets is reverently dedicated . . .*

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# **PACIFIC MILLS**

## *Officers and Directors*

### **1850**

ABBOTT LAWRENCE  
JEREMIAH S. YOUNG  
W. C. CHAPIN  
(Agent, 1853-1871)

A. HUNTINGTON CLAPP

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*Treasurer*  
*Vice-President*  
*Vice-President*  
*Vice-President*  
*Vice-President*  
*Vice-President*  
*Assistant Treasurer*  
*Assistant Treasurer*  
*Secretary*  
*Assistant Secretary*

### **1950**

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HENRY M. BLISS  
CLIFFORD B. HAYES  
E. DEAN WALEN  
J. EDMUND BRADLEY  
JAMES DIEPHUIS  
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E. DEAN WALEN  
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SINCLAIR WEEKS  
J. EDMUND BRADLEY  
WM. H. CLAFLIN, JR.

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*This is the fifth of a series of booklets being published by Pacific Mills at monthly intervals through the current year in commemoration of the founding of the company one hundred years ago.*

*If you did not receive the preceding chapters, Pacific Mills will be glad to send them to you on request. Write to Pacific Mills, 140 Federal Street, Boston 10, Mass.*



V

## *New Heights, New Horizons*

(In Chapter IV, Mack, a fourth-generation Pacific Mills employee, has invented a device which can be used in the Worsted Division. Mack and Mary, his wife, also a Pacific Mills worker, go to the Boston office, where he is rewarded. And because Mack's great-grandfather worked for Pacific Mills a century ago, and Mack himself is carrying on the tradition, he and Mary are invited to make a tour of all Pacific properties. In the ensuing conversation a company official gives a résumé of Pacific Mills management, which is continued below.)

The textile industry at the turn of the century was like a gold rush (the company official said) with newcomers plunging in recklessly on the theory of every man a winner. But gold rushes seldom pay off, you know, to the people who do the rushing. When it's all over, the folks who come out of it with the gold usually are the ones who found it there in the first place, before the rush began.

Whenever one hears talk of a game where everybody is supposed to win, one thinks of old Robert F. Herrick. He was president of Pacific Mills for twenty years beginning in 1915.

By that time Pacific had accumulated large liquid reserves. One day during the boom that followed the first World War, a dapper fellow from New York came into Bob Herrick's Boston office. Said he had something very important to discuss with Mr. Herrick. Nobody else would do.

It turned out he was one of those self-appointed experts on the stock market who could tell everybody else how to double his money. This fellow had learned of Pacific's good cash position. He wanted to be engaged as consultant on investments.

Bob heard him out patiently as he unrolled his charts, made a lot of fantastic claims, and explained the magic of his sure-fire system which would put Wall Street over the barrel.

When he was all through, Bob asked, "And how much would you expect as your salary, Mr. Blank?"

"Five thousand a year."

"What!" Bob roared. "Get out of here! Why, you're nothing but a confounded fraud and gold-digger!"

"But, sir, that isn't much when you consider what I'll be doing for Pacific Mills."

"Isn't much! For what you propose to do, it's nothing! Do you think I'm a big enough damned fool to pay any man to beat the stock market for me when he can't earn more than five thousand a year for himself?"

The reason so many people thought everybody could win in the textile industry after 1900 was the invention of the Draper automatic loom. This machine was devised in 1895 and placed on the market five years later. With the old loom, much time and labor were spent changing the shuttle when the filling of the bobbin was used up. In the new machine the shuttle was refilled automatically with a fresh bobbin from a magazine at the side.

The difference this made in costs was tremendous. And with the glowing prospect of big margins, new mills equipped with automatic looms spread all through the manufacturing area of the east. Within ten years the total of installed spindles — which is the measure of the industry — had shot upward from 10,000,000 to 28,000,000.

But the wider profit margin soon proved a mirage. While the new loom seemed at that time to have set the sky as the limit on production, nobody had invented along with it a way of guaranteeing sale of all that new output at old price levels.

As in all markets, there was a saturation point. Those who had heedlessly plunged into the new mills were all too clearly reminded of this little point they had missed. The old "seller's market" of the last century had vanished. And for keeps. By 1907 earnings of textile mills were beginning to fade, and from that point on it has been a race to the swift, and devil take the hindmost.

While the industry was skittering onto thin ice with its new toy and its big dream, Pacific's old Yankee heritage stood it in

good stead. It was a time of easy money, at the turn of the century, and the temptation to build new mills was strong.

Instead of joining the rush, the conservative group at the head of Pacific Mills limited its capital investments to modernizing the existing property at Lawrence — mainly fitting out with the Draper loom, adding other improved equipment as it came along, and building a powerhouse to supplement the Merrimack.

Not that Pacific has always been a model of conservatism. Its own big splurge came later on, and I'll tell you about that presently. But it did hold back at that particular time of danger, and the wisdom of its restraint was borne out by events. Many a textile enterprise that became over-extended around 1900 paid later for its illusions of grandeur by going on the auction block.

In 1900 the ruling power over Pacific Mills shifted from the treasurer to the presidency when the latter office was assumed by Arthur T. Lyman, another outstanding figure in the company's past.

By that time clothmaking was in the very blood of the Lyman family of New England. Its members had been in the textile business nearly a hundred years, Judge Daniel Lyman having set up the Lyman Cotton Manufacturing Company at Providence in 1810. Theodore Lyman was one of the founders of the old Boston Manufacturing Company at Waltham, and he and his brother George were among the builders of the dam at Lawrence and the first stockholders of Pacific Mills.

Arthur T., whom a few old-timers in Boston still remember affectionately as a "tremendous fellow," was a political renegade from the rockbound ranks of the New England "cotton aristocracy." In fact, Arthur T. was — and in Boston textile circles you said this in a whisper — a *Democrat*! Yes, one of those split-personality "Douglas Democrats" who belonged to the Party but still hankered after a high tariff.

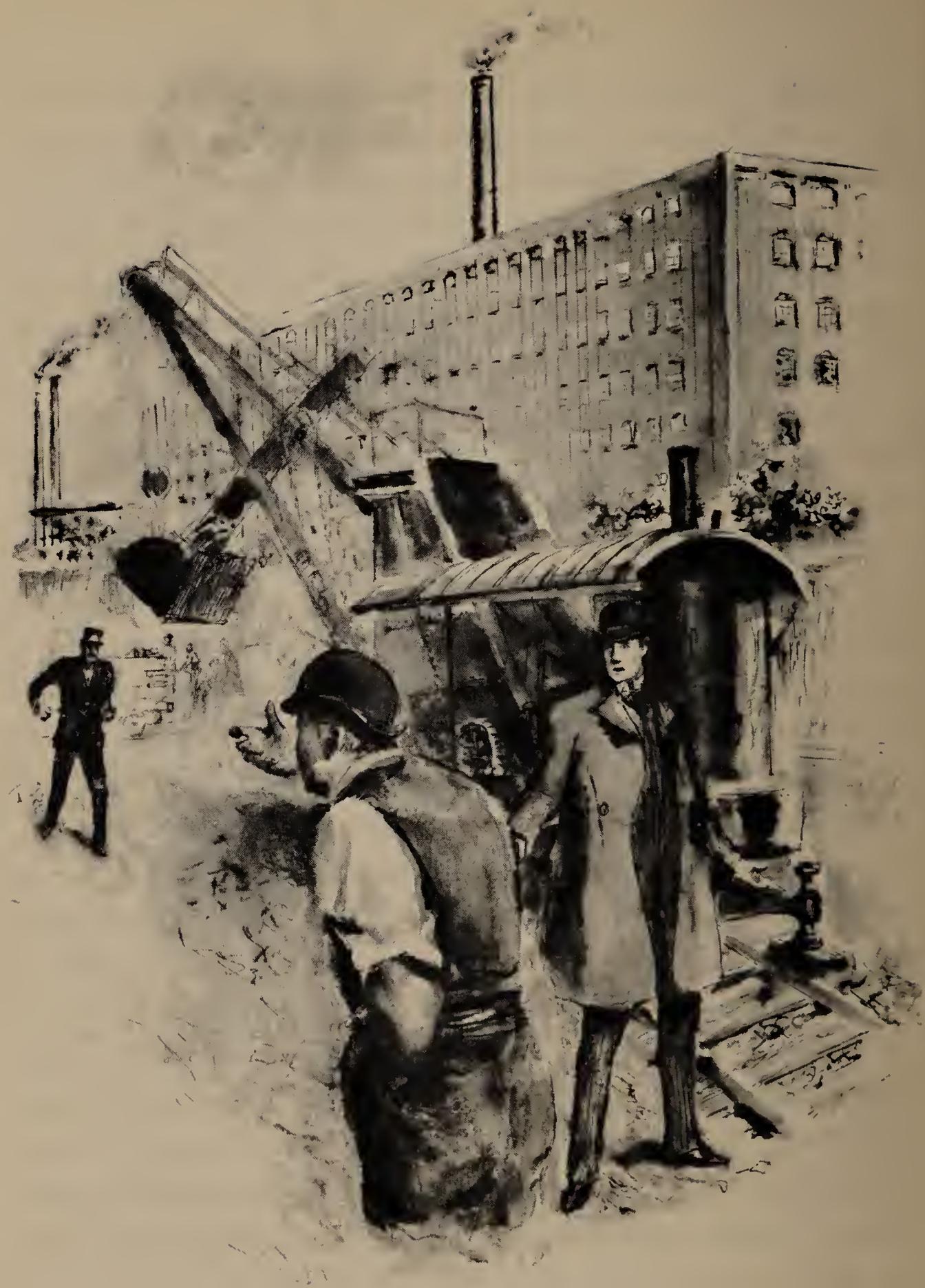
Once when a reporter sought to interview him on the aims of the Democratic Party in New England, he said, "I'll talk to you about everything but the tariff."

Lyman lived very simply on his farm in Waltham. Every weekday morning he could be seen hurrying through Boston's North Station on his way to work, carrying a bunch of flowers for his secretary. From his manner and dress, you couldn't have picked him out from a line of bookkeepers or plant overseers. No frills, no airs. He never got flat feet standing on ceremony.

One day, on a visit to the mills at Lawrence, Lyman was in the yard, alone, watching an excavation job. He had been loitering there for some time when a yardman, new on the job and not knowing who he was, came over to him.

"Look, bud," he told Lyman, "if you got any advice how that ought to be done, maybe you better take it up with the superintendent."

"Well, it seems to me that steamshovel isn't blocked up very safely," Lyman volunteered. "If it slips off, somebody might get hurt."



*The "Count of Monte Cristo" orders the President of Pacific Mills shown out by the guard.*

"T'anks, bud. But y' see, we already got a superintendent that tends to them things — unless, maybe, you want to talk it over with the president of the company?"

"But I am the president," Lyman quietly answered.

The yardman whistled to the guard at the gate. "Hey, Art! Here's a guy wot wants to be showed out. He's president of the company. And I'm the Count of Monte Cristo."

The guard hurried over, touched his cap and said in a loud voice, "How do you do, Mr. Lyman?" And out of the corner of his mouth, "Better hightail it out of here fast — Count!"

Lyman died in 1915. But it was during his term as president of Pacific Mills that the corporation embarked on a twenty-year period of expansion which was to spread its operations far beyond the limits of the old plant on the banks of the Merrimack.

It was a time not only of expansion in American industry — making elbow room for the then fast-maturing giant we call mass production — but also of combination. The little were being swallowed up by the big, and the big by the still bigger.

In some industries the process was carried to the end-result of monopoly, or into the borderland where free competition wilts of the heat. But in others this gathering-together of small, specializing units into an integrated whole was logical and inevitable — simply more of the same sort of thing Abbott Lawrence undertook in the integration of a single plant, the development of enterprise that had to operate on a big scale if it was to meet the huge need for its product at a price people could afford to pay.





*Lyman, a village of which the South could be proud . . . set in an eye-catching bit of countryside.*

The textile industry is a good example of this latter kind of growth. Through the past fifty years competition in textiles has been fierce, and is so today. It must be balanced by the existence of producers big enough and strong enough to withstand it. Otherwise the public is deprived of the benefits of steady mass production at low cost.

Back in those days the romance of sheer bigness had already captivated American industry. Great railroad networks, skyscrapers, mighty ocean liners, automobile assembly lines, and

the corporate giants of heavy industry were already realities in the burgeoning American panorama, standing like peaks created both through original investment and the merging of investments already made.

Men who were shaping America's economic destiny in those years saw bigness as a means of achieving lower cost of production and services. Others, in fiercely competitive fields like textiles, also saw it as an absolute necessity if their companies hoped to survive at all in the relentless scramble for business.

And still others — a few — saw it in the light of their own personal ambitions as a chance to create and control great industrial empires.

In the management of Pacific Mills during the early 1900's, there was a sprinkling of all three of these incentives. Thus it was that in 1909 Pacific bought the big cotton mills of the Cocheco Manufacturing Company at Dover, New Hampshire, a plant built around the falls of the Cocheco River and running 3,600 looms and a large print works. The cost was \$600,000.

The deal was not without its logic, and Cocheco was a big bargain at that price. The mill had had a long history of successful operation. The water power at that spot was first used by a Major Richard Waldron in 1680 to run a saw and grist mill. Business ceased nine years later when the Indians scalped him.

In 1812 the Dover Cotton Factory, with a capital of \$50,000, built mills on the site, reorganizing as Cocheco Manufacturing Co. in 1827. The capital of that concern was \$1,000,000. The industry had been running ever since.

After purchase by Pacific, the Cocheco printing machines were moved to Lawrence. The Cocheco Mills were kept in operation, spinning and weaving until they were sold in 1941.

Pacific's next move in the expansion program was to build its six-story "Number 10" worsted mill at Lawrence in 1910, and in the same city, on an eighteen-acre tract on the south shore of the Merrimack, the biggest print works in the world, with fifty-one multiple-color machines which could turn out 3,500 miles

of cloth in a week, and a bleachery — again the biggest in the world — with eighty kiers, or bleaching vats.

Meanwhile the management had its eye on the South. And there it learned that the Parker Cotton Mills Company, a consolidation of sixteen Carolina mills, was in trouble.

Some of the Parker properties, like the four mills of the "Hampton Group" in Columbia, South Carolina, were excellent. But Parker needed money and had to sell.

In 1916 Pacific bought four of the Parker mills. These were Olympia, Granby, Capital City and Richland, all still owned by Pacific today and operating as essential units in the company's integrated cotton manufacturing setup. Incidentally, Olympia has a spinning room that must have attracted the Pacific management's eye because it too was, at that time, "the biggest in the world."

Finally, in 1923 Pacific decided it needed a new mill — a whopping big one — to make finished sheets and pillowcases. A company representative went down to South Carolina, bought a 750-acre wooded tract in the print cloth producing center of the South to save on freight and delivery time in transit, and to gain other advantages provided by having a plant in that area. The site selected was eleven miles from Spartanburg, on the Middle Tyger River. There Pacific built the mill, complete with town and all modern improvements. It was an investment of \$6,000,000.

Pacific named the town Lyman, in memory of Arthur T. It was a village the South could well be proud of, set in an

eye-catching bit of countryside, with some 375 houses for the workers, trees and gardens, a twelve-room school, community house and buildings leased as stores.

But those who envisioned themselves at the head of a great textile empire saw their hopes shattered on the hard realities of the decade, 1920-30, which brought a long and disastrous slump in the price of cotton. The industry was making a good enough showing — on paper — in the postwar inflation. But suddenly in the summer of 1920 commodity prices collapsed. Huge inventory losses wiped out previous profits. Textile companies began passing dividends. Would-be “empire builders,” holding large blocks of mill stocks with a view to eventual merger, now faced a tight squeeze and saw their dreams go aglimmering. Those who could still meet their own obligations hung on and hoped to weather through to better times.

But better times were not in the offing. Cotton recovered in 1923, then dropped again the following season, casting a pall over the industry which was to hang there many years. In 1926 Pacific Mills passed its dividend — one of the last to do so — and the worst was still to come. During the same year the price of cotton fell steadily, from 20.8 cents a pound to 12.8. Again the trade took a licking on inventories.

This lean era in textiles was but a forerunner of the great crash in security values and of the general depression that gripped all American industry in the early thirties. The stock market collapse of 1929 not only wrung the water out of operating company securities but also shook down many over-

extended holding companies which had been thrown together in the hope of gaining dominance in various industries.

As the spree of new mill construction had died out long before, now the dream of unlimited power through unlimited combination of ownership had also come to an end. In the textile industry it was no longer a question of who was to dominate, but rather of who was to survive.

Pacific Mills, being of sound corporate structure and good competitive position, took hard times in stride. But having gone beyond its old confines to add large properties in New Hampshire and South Carolina, and having completed the tremendous additions and improvements in Lawrence, the company was ready by 1928 to settle down to a gradual, steady digestion of all these interests and to pay strict attention to keeping its financial house in order.

This it did. Management changed, conservative thinking prevailed, and another phase of the company's history — the phase of mushrooming venture — was over.

Looking back, the growth of those years, speculative as it was, is not now to be regretted. Certainly it brought with it advantages that contributed much to Pacific's continued leadership in its field. Those were years when a corporation could not stand still; it had to grow with the country or fall behind. Moreover, it meant the additional security of decentralization, of operating mills in the South as well as in New England. The company's products were diversified in a long list of cotton, wool and rayon fabrics for clothing and household needs, shoe lin-

ings and automobile upholstery; and quality all down the line was improved. It was during this period that Pacific abandoned its old "corporation serges" for a line of fine worsteds.

One of Pacific's unique enterprises of that era was the formation in 1919 of the Cotton Research Company.

Up to that time the textile mills had been too busy trying to jockey the inside track from each other to give any thought to a joint, organized effort to improve methods and products for the whole industry.

It is related that one day a Pacific official, on looking through one of the mills, came into the inspecting room where half a dozen girls were at work. He watched them for a moment, then turned to the manager who was showing him around.

"Only one girl in this room is doing her work right," he said.

"Why do you say that?" the manager asked.

"Because each one is doing it differently."

The management decided it would be profitable to find the one best way of doing things all down the line, through joint study and testing by a staff of experts. The result was Cotton Research, in which Pacific Mills took a half interest and other mills the remainder.

A pilot plant was fitted out in Boston and a staff of twenty young men out of the mills and leading textile schools was brought together under the leadership of E. D. Walen. Mr. Walen, now vice-president of Pacific Mills in charge of the Worsted Division, had become well known at that time for his

achievements in textile research at the Bureau of Standards in Washington.

Cotton Research was the biggest thing of its kind ever attempted up to that day by an industrial concern. The experts concentrated on developing and standardizing new work methods in clothmaking and on finding the best combination of process and machinery.

But they were something more than the "efficiency expert" — a new kind of specialist of those years who was busy telling other people what was wrong with the way they did things. The men in Cotton Research were of a creative turn.

One of the biggest problems in cotton textile manufacture has been the variability of cotton itself, in the raw. In their chemical and photographic laboratories, and on their drafting tables, these young men worked out reliable ways of testing raw cotton and evaluating its spinning qualities.

In its work on mill processes, Cotton Research made findings that revolutionized job standards throughout the industry. Its laboratories served as a control point for existing mill laboratories, setting standards for the use of all.

Though this agency went out of existence in 1928, it had spent eight highly productive years, developing methods and instruments that are in general use through the textile industry to this day.

• • •

With its assortment of "world's biggests" in the period following World War I, Pacific owned ten per cent of the then

total clothmaking facilities in America. The local historian of Lawrence, writing in 1918, relates with understandable pride:

*. . . They (Pacific Mills) have an unrivaled output of printed, dyed and bleached cotton goods, and also are the largest manufacturers of cotton-warp and all-wool dress goods. . . . The extent of the mills in Lawrence, their marvelous equipment, the magnitude of their operations, and the perfection of their work excite the admiration and astonishment of all visitors. The weekly payroll of the corporation, paid in silver dollars piled one upon another, would be more than twice the height of the Washington Monument. If its looms were placed end to end, they would make a continuous line over 24 miles in length. . . .\**

Etc., etc., and all very true. But if he had written his account a few years later, when the "magnitude of operations" of that overgrown setup in Lawrence was costing the company more than it brought in, he might well have added that those deficits of the '20's and '30's, placed one on top of another, would have made quite a hole in the ground — also big enough, no doubt, to accommodate the Washington Monument.

Possibly these figures may be interesting:

In the twenty years from 1908 to 1928, Pacific spent nearly \$33,000,000 in buying, building, and re-equipping mills — \$18,500,000 in Lawrence, \$3,250,000 at the Cocheco Mill in

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\* *Lawrence Yesterday and Today*, by Maurice B. Dorgan, Lawrence, Massachusetts, 1918.

Dover, \$5,100,000 at Columbia, South Carolina, and \$6,000,-000 at Lyman. The company's sales rose spectacularly in that period, from \$9,000,000 in 1908 to \$44,000,000 in 1927.

When the present management assumed office in 1940, we felt Pacific Mills was falling behind in the big and exciting parade that was industrial America.

• • •

The company official, telling the story to Mary and Mack, paused a moment, to glance at a tramp steamer headed out of Boston Harbor.

“We went into action,” he continued. “We undertook a more aggressive selling program and at the same time a major overhauling of mill properties. We were resolved to bring our production setup into better alignment, both internally and in relation to the changing scene around us.

“We began with bold strokes. The Cocheco Mills in Dover and the big print works and bleachery in Lawrence were sold. The rest of the plant at Lawrence, done over, operated from that time on as the company’s Worsted Division. All cotton manufacture was transferred to the South.

“We then undertook an enlargement of the company’s worsted business with a few modern, highly productive mills in carefully selected spots. Of course, it cost money. But we were taking advantage of a time of good business to get it done without going into debt. Into that face-lifting operation we have plowed back, in the past ten years, over \$30,000,000.

“That is a big commitment to the future in anybody’s money.

It makes me think of the day, a hundred years ago, when Abbott Lawrence's little group of Bostonians were awestruck by his prodigious plan for Pacific Mills — two million dollars to start a single company.

"I've often wondered what those men might have said if a prophet had suddenly stood over their conference table and announced that the day would come when this same Pacific Mills would reinvest, for improvements, more than fifteen times that original cost at a single lick.

"And yet, I don't think Abbott Lawrence himself would have been daunted. He saw America growing, he believed in it, and he built accordingly. I rather think, if he were alive today, he would nod his approval of Pacific's new investment in its own future. It is another bet, of the kind he made himself, on the future of America.

"The accent in this far-reaching makeover was not on sheer bigness. What we have gone after is better tools — the most modern textile plants in the world, the finest machinery we could get.

"In doing this, we were a jump ahead of the industry. Most of the equipment for clothmaking in this country is old, much of it obsolete. For example, the average age of looms, for the industry as a whole, is now more than twenty years! We believe the wisdom of Pacific's decision to re-equip will be borne out by events in coming years, when the race will be, once again, to the swiftest.

"When you look back over the century, the big truth that

stands out at once in our country's record is its enormous progress, growth, its economic, technological and social advancement.

"But the course of that progress has not been even. There is no straight line between those two points. Rather it is quite jagged, with the jaggedness of crisis, of depression and boom, war and peace, two steps forward and one step back.

"While there should be ways to avoid the tragic extremes of boom and bust in our economy, that irregular pattern of advance and consolidation is how progress is achieved.

"To guide the fortunes of a large enterprise like Pacific Mills successfully, management must accept the truth of America's progress and understand its mighty rhythm.

"I don't expect (the company official concluded) in the next hundred years, that our company will avoid all the pitfalls that lie in the path of management of any great corporation. But I do hold to the hope that, when another century has rolled around, whoever is guiding the fortunes of Pacific Mills will be able to say, as I can today, 'We have held our place in our chosen field of service.'

"That place is — and I hope always will be — out in front."

*Next month Pacific Mills will send you another installment of "Memoirs of a Corporation, Weaving a Century." It will be entitled "Chapter VI: The Most Important Man in the Company."*



COTTONS  
**PACIFIC**  
RAYONS



